

22 March 1985

MEMORANDUM FOR: D/CSPO

STAT FROM:

SAFE Contracting Officer

SUBJECT: Contract 79*B353800*000
with TRW, Inc.

REFERENCE: Audit Report - Case No. 954-85-85
dated 7 March 1985

STAT 1. Within last two weeks Bob Williams, Vice President of TRW, spoke to [] regarding the closeout of the old SAFE contract. As you know, we have been working toward a settlement for almost 2 years now. TRW finally submitted their claim in August 1984. After the close of the fiscal year, the auditors reviewed the TRW records. I went to TRW November 29-30 expecting to negotiate a small travel disallowance, then determine how much money would be needed to fund the contract. I was greeted with a major amount of costs unsupported by TRW.

2. In a meeting with Gary Monafo, Dick P. and I gave him until 21 December to submit the supporting documentation before CSAD would write their report. Some was submitted but not all. Therefore the report was written based on available data.

As you can see in the attached audit report \$1,650,809.22 has been questioned. Much of these costs are in the areas of Interprofit Center Orders (IPCO's). It is this area that I had requested an extremely detailed audit.

3. The "ball" is entirely in TRW's court. It is their responsibility to substantiate their booked costs. No further action will be taken by the Government until TRW submits the required data and states that no additional data will be forthcoming. At that time CSAD will review and issue a revised report.

4. So that we are all using the same terms, this report and any revisions are interim reports of direct costs. It will allow funding and we eliminate any "corporate memory problems. The barrier to a final report and closeout is contained in paragraph 2 of the audit report. TRW has final indirect expense rates for 1979 and 1980, but not 81 through 83. When these have been audited and negotiated by DCAA our auditors will be able to issue their findings.

5. If there are any questions, please call.

STAT



cc: DD/OIT
Contract file